

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 INT-05 EB-07 PA-01 L-03 PRS-01 AID-05
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01
/062 W

----- 064691 /10

R 200800Z DEC 76
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 7342
INFO AMCONSUL HONG KONG
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY RANGOON
AMEMBASSY SINGAPORE
AMEMBASSY VIENTIANE

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E.O. 11652: N/A
TAGS: EMIN, TH
SUBJECT: INDUSTRIAL DEVELOPMENT: PROGRESS AT LAST

REF: A) BANGKOK 32047 (NOTAL), B) BANGKOK 32235 (NOTAL)
C) BANGKOK 33409 (NOTAL), D) BANGKOK 33726 (NOTAL)

1. AS THE YEAR DRAWS TO A CLOSE, WE WISH TO DRAW
ATTENTION TO THE CONSIDERABLE AND SIGNIFICANT STEPS
TAKEN BY THE RTG, AND IN PARTICULAR THE MINISTRY OF
INDUSTRY, IN THE APPROXIMATELY TWO MONTHS THIS
GOVERNMENT HAS BEEN IN POWER. IN OUR VIEW THIS TRACK
RECORD, MADE BY A GOVERNMENT WHICH HAS DONE MORE IN
60 DAYS IN REACHING DECISIONS ON DEVELOPMENT PROJECTS
THAN PREVIOUS GOVERNMENTS ACCOMPLISHED IN NEARLY THREE YEARS,
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FUTURE.

2. NATURAL GAS PIPELINE. THIS IS ESTIMATED TO BE
A \$200 MILLION PROJECT. THERE IS BROAD GOVERNMENTAL
INTEREST IN OFF-SHORE NATURAL GAS RESERVES IN THE GULF
OF SIAM, AND THE MINISTRY OF INDUSTRY HAS SINCE MID-

OCTOBER MOVED SWIFTLY TO ASSIST IN DEVELOPMENT. AS A RESULT, THE CABINET ON NOV. 25 AUTHORIZED THE MINISTRY TO CONTRACT FOR TWO PRE-INVESTMENT STUDIES, WITH REGARD TO WELL-HEAD PRICING AND OTHER ASPECTS, AND DIRECTED THE MINISTRY TO PREPARE DRAFT LEGISLATION TO CREATE A NATURAL GAS ORGANIZATION (NGO) TO OVERSEE DEVELOPMENTS IN THE FIELD. THE STUDIES ARE UNDERWAY, AND ARE SCHEDULED FOR COMPLETION IN ABOUT SIX MONTHS; THE DRAFT LEGISLATION IS NEARLY COMPLETED. FRONT RUNNER TO HEAD THE NGO IS CHARAN ACHALABHUTI, WHO HOLDS A DOCTORATE IN GEOLOGY FROM THE UNIVERSITY OF TEXAS. HE CURRENTLY HEADS THE MINERAL FUELS DIVISION IN THE DEPARTMENT OF MINERAL RESOURCES (DMR).

3. MEANTIME, UNION OIL COMPANY OF CALIFORNIA, WHICH HAS SUBMITTED PRICING AND PIPELINE CONSTRUCTION PROPOSALS TO THE RTG, IS MAKING PLANS TO DRILL ADDITIONAL WELLS IN AN EFFORT TO DELINEATE THE FIELD SURROUNDING ITS ALREADY IMPRESSIVE DISCOVERIES IN THE GULF. FURTHER DRILLING BY UNION, TEXAS-PACIFIC CO., AND OTHER FIRMS WILL BE INFLUENCED BY THE GAS PRICE STRUCTURE AND PIPELINE CONSTRUCTION DECISIONS TAKEN BY THE RTG ON COMPLETION OF THE PRE-INVESTMENT STUDIES.

4. THAI ZINC. A WEEK OF TALKS BETWEEN OFFICIALS OF THAI ZINC, ITS PARENT COMPANY NEW JERSEY ZINC, THE INTERNATIONAL FINANCE COMPANY (IFC), AND THE RTG ON DEC. 10 PRODUCED A DRAFT AGREEMENT ACCEPTABLE TO BOTH SIDES. THE AGREEMENT, WHEN ALL STEPS ARE COMPLETED, WILL GIVE THAI ZINC A 25 YEAR CONCESSION ON ZINC MINERAL RIGHTS AT MAE LIMITED OFFICIAL USE

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SOT, ON THE BURMA BORDER, AND THAI ZINC WILL CONSTRUCT A 90-MILLION SMELTER AT TAK, NEAR A MAJOR SOURCE OF ELECTRIC POWER 50 MILES EAST OF MAE SOT.

5. AS A NEXT STEP, THE PROPOSAL WILL BE SUBMITTED FOR CABINET CONSIDERATION. IF IT IS APPROVED (AND THERE ARE NO KNOWN IMPEDIMENTS), THAI ZINC AND THE DMR WILL SIGN A FORMAL AGREEMENT.

6. THE IFC WILL BE THE MAJOR LENDER, ALTHOUGH THE EXPORT-IMPORT BANK OF KOREA ON DEC. 15 GRANTED NEW JERSEY ZINC A \$25 MILLION LOAN TO PURCHASE KOREAN-MADE EQUIPMENT FOR THE PROPOSED SMELTER. (SEOUL 9924)

7. BILLITON. THE MINISTRY OF INDUSTRY ANNOUNCED DEC. 15 THAT THE GOVERNMENT HAS DECIDED TO SIGN A MANAGEMENT CONTRACT WITH BILLITON CO., A SUBSIDIARY OF ROYAL DUTCH SHELL, TO PERMIT BILLITON TO RESUME

TIN DREDGING OPERATIONS OFF THE COAST OF PHANG-NGA PROVINCE. IT IS ANTICIPATED THE AGREEMENT WILL BE SIGNED PRIOR TO THE END OF THE MONTH.

8. BILLITON WILL BE AUTHORIZED TO DREDGE IN A PORTION OF THE CONCESSION FORMERLY HELD BY BILLITON AND ITS ERSTWHILE PARTNER UNION CARBIDE IN THE NOW DEFUNCT THAILAND EXPLORATION AND MINING COMPANY (TEMCO). UNION SOLD ITS HALF INTEREST IN TEMCO TO BILLITON IN DECEMBER 1975 AFTER THE SENI PRAMOTE GOVERNMENT, AT THE INSISTANCE OF ANTI-U.S. GROUPS, EARLIER IN THE YEAR REVOLDED TEMCO'S MINING CONCESSION. "LEGAL" MINING OPERATIONS, ON WHICH THE RTG COLLECTS ROYALTIES AND TAXES, CAME TO HALT ON THE TEMCO CONCESSION EARLY IN 1975. HOWEVER, SINCE THAT TIME SEVERAL THOUSAND SMALL "ILLEGAL" MINERS, FROM WHOM THE RTG COLLECTS ONLY A FRACTION OF THE ROYALTIES AND TAXES PAID BY LICENSED FIRMS, HAVE EXPLOITED THE CONCESSION DURING THE ANNUAL LIMITED OFFICIAL USE

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SIX-MONTH MINING SEASON.

9. SODA ASH-ROCK SALT-POTASH. THE ASIAN DEVELOPMENT BANK AT ITS JANUARY MEETING WILL PROBABLY GIVE FORMAL APPROVAL TO THE FUNDING OF A STUDY TO ASSESS THE PROSPECTS FOR DEVELOPMENT OF EXTENSIVE SOFA ASH AND ROCK SALT DEPOSITS ON KORAT PLATEAU, IN THE NORTHEAST. IN ADDITION, SEVERAL US FIRMS AND THEIR THAI ASSOCIATES ARE SHOWING RENEWED INTEREST IN SODA ASH AND ROCK SALT DEVELOPMENT, AS WELL AS IN THAILAND'S POTASH DEPOSITS. INTEREST HAD WANED AS A RESULT OF BUREAUCRATIC DELAY ACCOMPANIED BY A DETERIORATION IN THE INVESTMENT CLIMATE, BEGINNING EARLY IN 1974. INTEREST IN THE POTASH DEPOSITS WILL IN ALL LIKELIHOOD BE WHETTED BY THE NEWS THAT ON DEC. 6 A DMR DRILLING TEAM DISCOVERED THAILAND'S FIRST HIGH-GRADE POTASH LODGE, IN A VEIN SEVERAL METERS THICK, NEAR NONG KHAI, ON THE MEKONG NEAR VIENTIANE. ALL PREVIOUS POTASH DISCOVERIES, ALTHOUGH WIDESPREAD, HAD BEEN LOW-GRADE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL DEVELOPMENT, ENERGY, REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BANGKO34098
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760466-0610
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761226/aaaaawga.tel
Line Count: 159
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BANGKOK 32047 (NOTAL), 76 BANGKOK 32235 (NOTAL), 76 BANGKOK 33409 (NOTAL), 76 BANGKOK 33726 (NOTAL), 76 BANGKOK 32047, 76 BANGKOK 32235
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAY 2004 by GarlanWA>; APPROVED <20 SEP 2004 by izenbei0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDUSTRIAL DEVELOPMENT: PROGRESS AT LAST
TAGS: EMIN, TH
To: SECSTATE WASHDC HONG KONG JAKARTA KUALA LUMPUR MANILA RANGOON SINGAPORE VIENTIANE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006